

VZCZCXRO0272  
RR RUEHGR  
DE RUEHKG #1441/01 2061142  
ZNR UUUUU ZZH  
R 251142Z JUL 06  
FM AMEMBASSY KINGSTON  
TO RUEHC/SECSTATE WASHDC 3259  
INFO RUCNCOM/EC CARICOM COLLECTIVE  
RUEHAO/AMCONSUL CURACAO 0173  
RHEFDIA/DIA WASHDC  
RUEABND/DEA HQS WASHINGTON DC  
RUMIAAA/CDR USSOUTHCOM MIAMI FL  
RUCPDOG/DEPT OF COMMERCE WASHDC  
RUEATRS/DEPT OF TREASURY WASHDC

UNCLAS SECTION 01 OF 03 KINGSTON 001441

SIPDIS

STATE FOR WHA/PDA  
STATE ALSO FOR INL/LP (BOZZOLO), EB/TPP, AND EB/IFD  
STATE ALSO DOE CA/OCS/ACS/WHA (RUTH BRANSON)  
STATE PASS OPIC FOR TABERNAKI  
CUSTOMS MIAMI FOR LOWEN AND MAHABIR  
SANTO DOMINGO FOR FCS, FAS, AND LEGATT  
STATE PASS USTR FOR A. GASH-DURKIN  
DOJ FOR OPDAT/R LIPMAN  
TREASURY FOR LAMONICA

SIPDIS

E.O. 12958: N/A  
TAGS: [PGOV](#) [PREL](#) [EFIN](#) [ECON](#) [EINV](#) [PHUM](#) [ELAB](#) [KHIV](#) [JM](#)  
SUBJECT: KINGSTON POL/ECON ROUNDUP: June 24 - July 24, 2006

KINGSTON 00001441 001.2 OF 003

11. This month's topics:

- Chavez Visit Postponed
- West Indies Alumina Company Cutting Jobs
- More Competition in Mobile Market
- Finance Minister Heads Team to the UK
- Cement Imports Increase
- Airline Starts Service to Jamaica
- Prices Jump in June
- Opposition Spokesman Predicts Room Shortage for Cricket World Cup
  
- Jamaican Environment Hostile to New Businesses
- Proposed Mandatory Biotechnology Labeling
- Brazilian Loan to Rehabilitate Sugar Industry

-----  
Chavez Visit Postponed  
-----

12. Venezuelan President Hugo Chavez was scheduled to make a one day visit to Jamaica on July 17. However, due to a scheduling conflict, his visit was postponed until an unspecified date later this year.

-----  
West Indies Alumina Company Cutting Jobs  
-----

13. Less than six months after granting generous wage adjustments to its employees, West Indies Alumina Company (WINDALCO) is slashing 125 jobs to cut production costs. However, the National Workers Union (NWU), which was embroiled in a long and bitter negotiation with the company, is accusing the management of using production costs as a cover to intimidate and target union members. NWU Vice-President, Norman DaCosta, is describing the layoffs as an act of retaliation against the workers for asserting their rights during the 21-month long negotiations. The company is denying the accusations, suggesting that several criteria were used to arrive at the final positions, including voluntary layoffs and the severing of people eligible for early retirement.

-----  
More Competition in Mobile Market  
-----

¶4. The GOJ is set to sell another two cellular telephone licenses for USD 19 million to Wire9 Plc of the UK and Wiiscom of the U.S. The deal is expected to be finalized once the Ministry of Finance completes its due diligence. While the price being paid by both firms is well below the USD 45 million paid by two other companies five years ago, the price being paid is still surprising given that another U.S. telecom firm, AT&T, surrendered the license for which it paid USD 6 million last year. Both companies will also be entering into a highly competitive market, with three incumbent providers and 81 percent penetration.

-----  
Finance Minister Heads Team to the UK  
-----

¶5. A team of GOJ officials, led by Finance Minister Omar Davies, recently visited Ireland and England to explore ways to strengthen ties with both countries. In Ireland the team met with a number of Irish officials, including the Irish Prime Minister, Finance Minister and heads of the financial regulatory agencies to discuss ways to increase bilateral co-operation and a fact finding mission about Ireland's development experience. In England, the delegation met with Gareth Thomas, head of the UK's Department for International Development, an agency that provides a significant amount of development funding to Jamaica. When quizzed about the benefits of the trip, a source at the Ministry of Finance, told emboff that nothing of significance materialized.

-----  
Cement Imports Increase  
-----

KINGSTON 00001441 002.2 OF 003

¶6. In the latest chapter of the sad cement saga (septels), supply pressures arising from production difficulties at the local cement company were expected to ease with the supply of another 22,500 tons of cement to the market. The increased supplies came from a combination of imports and increased production at the local plant. Supplies were expected to improve considerably, as another shipment was expected from Cuba. However, the supply pressure could persist, as fresh reports surfaced that the local cement company was again facing quality problems.

-----  
Airline Starts Service to Jamaica  
-----

¶7. Virgin Atlantic Airways, the second largest British airline, has joined a long list of airlines, particularly from the U.S., that have started service to Jamaica. The airline made its inaugural flight to Montego Bay, Jamaica on July 3 amidst much fanfare and hype. The 747-400 aircraft, which is expected to fly between Gatwick and Montego Bay twice weekly, brought 451 passengers, including its billionaire chief executive officer, Richard Branson, and a large contingent of British media personnel. Virgin officials are projecting that the airline will bring about 100,000 visitors from the UK within its first year of service.

-----  
Prices Jump in June  
-----

¶8. Inflation in June 2005 was 1.3 percent, the highest monthly increase recorded since September 2005. The surge in inflation reflected higher drink, food and fuel prices. Despite the relatively robust movement in June, inflation for the six month period was 5.6 percent, below the 7.2 percent recorded in 2005. Inflation for June 2005 to June 2006 also moderated to 7.1 percent. However, increased fuel, food and electricity prices are expected to

feed inflationary impulses in upcoming months.

---

#### Opposition Spokesman Predicts Room Shortage for Cricket World Cup

---

¶9. Opposition spokesman on tourism Ed Bartlett has predicted a significant shortage of hotel rooms to accommodate visitors expected for Cricket World Cup 2007. Bartlett said that based on his projections there will be a shortage of about 8,000 rooms. He therefore urged the GOJ to follow the lead of Barbados in leasing cruise ships, as well as making funds available for small hotels and private homes to be upgraded to accommodate the expected visitors. However, in an earlier presentation, Minister of Tourism and Entertainment, Aloun Assamba revealed that over 100 applications were received from Jamaicans who want to host visitors. Assamba also announced that the Jamaica Tourist Board would be spending over USD 20 million to market the island's tourism product overseas.

---

#### Jamaican Environment Hostile to New Businesses

---

¶10. A study conducted by the University of Technology has found that almost half of Jamaican businesses fail to survive the start-up phase. The study blamed high taxes, bureaucracy, red tape, crime and corruption. This finding is contrary to the World Bank's Doing Business Survey, which surprisingly ranked Jamaica highly as one of the destinations it was easiest to do business in. The recent study commissioned by the Global Entrepreneurship Monitor assesses entrepreneurial activity and provides information on entrepreneurship globally. The 2005 report showed that of the almost 400,000 or 17 percent of Jamaicans who started a new business, only 9.5 percent of them survived the first few years.

---

KINGSTON 00001441 003.2 OF 003

---

#### Proposed Mandatory Biotechnology Labeling

---

¶11. Jamaica's draft biotechnology policy, which will be submitted for parliamentary approval during late 2006, recommends the adoption of mandatory labeling of all products derived from modern biotechnology. The proposed regulation is a reflection of public opinion, and the resulting position of influential consumer groups. The regulation is not associated with an identity preservation program, and is therefore, not expected to result in sustained declines in U.S. bulk agricultural exports to Jamaica.

---

#### Brazilian Loan to Rehabilitate Sugar Industry

---

¶12. Against the poor showing of bidders to acquire the GOJ's 80 percent stake of the Jamaican sugar industry, the government has secured a USD 100 million industry rehabilitation loan facility from the Brazilian Government. The funds will be used to acquire machinery, equipment, expertise and high yielding sugar cane varieties from Brazil to aid the sugar industry diversification programs. According to industry sources, the initiative is likely to have little impact without a full-scale management reform. Brazil is interested in the sugar industry and the possibility of increased involvement in ethanol operations in Jamaica since under the Caribbean Basin Initiative Jamaica can sell ethanol to the U.S. on a duty free basis. Brazil is not entitled to the same concession.

NEIGHBOUR